

# **CORRECTED FISCAL MEMORANDUM**

## **SB 2 – HB 1033**

May 30, 2007

**SUMMARY OF AMENDMENT (009398):** Deletes the original bill and authorizes the legislative body of local governments to “freeze” property tax liability for individuals 65 years of age or older who own the property as their primary residence and do not exceed an income limit of the greater of the weighted average of the median household income for age groups 65 to 74 and 75 or over. Such limit may be adjusted by the Comptroller of the Treasury to reflect the cost of living adjustment for social security recipients. The Comptroller would be authorized to promulgate rules and regulations pertaining to certain aspects of the program and would be required to determine taxpayer eligibility if requested by local governments. Local governments making such a request would be required to reimburse the Comptroller for the actual costs of making eligibility determinations.

### **FISCAL IMPACT OF ORIGINAL BILL:**

Increase Local Govt. Expenditures –

Exceeds \$100,000/One-Time/Permissive

Exceeds \$1,000,000/Recurring/Permissive

Decrease Local Govt. Revenues – Exceeds \$1,000,000/Permissive

### **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

On May 25, 2007, we issued a fiscal memorandum on this amendment indicating a *recurring increase in state expenditures exceeding \$200,000, a one-time increase in state expenditures of \$280,000, a recurring increase in state revenues exceeding \$20,000, a one-time increase in state revenues of \$250,000, a recurring, permissive increase in local government expenditures exceeding \$320,000, a one-time, permissive increase in local government expenditures exceeding \$350,000, and a one-time decrease in local government revenues exceeding \$1,000,000*. The one-time increase in state revenues in that estimate was attributable to a one-time reimbursement by local governments for computer systems changes required for the Comptroller to track parcels “frozen” as a result of this legislation. It has been determined that such expense will not be reimbursed by local governments. Therefore, the fiscal impact of the bill is as follows:

**(CORRECTED)**

**Increase State Expenditures – Exceeds \$200,000/Recurring  
\$280,000/One-Time**

**Increase State Revenues – Exceeds \$20,000/Recurring**

**Increase Local Govt. Expenditures –  
Exceeds \$320,000/Recurring/Permissive  
Exceeds \$100,000/One-Time/Permissive**

**Decrease Local Govt. Revenues –  
Exceeds \$1,000,000/Permissive**

Assumptions applied to amendment:

- The Office of the Comptroller will be required to provide verification of taxpayer eligibility for several counties.
- An increase in recurring state expenditures for four new positions at a total cost of \$180,000. It is assumed that the state will appropriate funding for these positions; therefore, the local governments will not be responsible for reimbursement of such expenditures.
- A recurring increase in state expenditures for postage, supplies and other administrative expenses related to the promulgation of rules pertaining to the program and providing taxpayer eligibility verification. Such increase is estimated to exceed \$20,000.
- A one-time increase in state expenditures of \$280,000. Costs to make the required programming changes are estimated to be \$250,000. Expenditures for computers and other supplies related to the four new positions required by the Comptroller are estimated to be \$30,000.
- The provisions of the bill require local governments to reimburse the Comptroller for actual expenses related to expenditures for the program if funds for such expenditures are not appropriated by the state. Therefore, there will be a recurring increase in local government expenditures exceeding \$320,000. An amount of \$20,000 of such cost is attributable to reimbursement of recurring Comptroller expenditures. The remaining \$300,000 in recurring increase to local governments is attributable to those local governments that choose to provide taxpayer eligibility on their own or require additional expenditures to manage the program.
- Local governments will experience a one-time increase in expenditures estimated to exceed \$100,000. Such increase is attributable to computer hardware and software and programming changes that will be required for local governments to enact the tax “freeze”.

**SB 2 – HB 1033 (CORRECTED)**

- The language of the bill is not clear as to whether or not a “tax freeze” would apply to 2006 taxes or 2007 taxes if a local government adopted the “freeze” in 2007 prior to the adoption of 2007 tax rates. If the “freeze” could only apply to 2007 taxes, the fiscal impact of this bill would be applicable to FY08-09 rather than FY07-08.
- As an example, if a one-cent increase in the tax rate in every county and municipality were to occur in one year, and each of these localities had enacted an ordinance adopting the tax freeze, there would be a decrease in local government revenues exceeding \$1,200,000. According to the same methodology, the decrease in local government revenues is approximated below at differing levels of local government population participation.

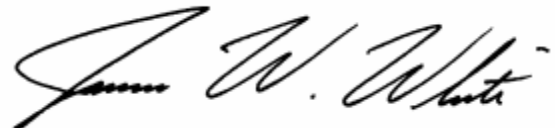
<u>Population and Taxing Jurisdiction</u>	<u>Decrease in Local Govt. Revenues</u>
<u>Participation</u>	<u>per \$0.01 Tax Increase</u>

100%	\$1,086,000
75%	\$ 814,500
50%	\$ 543,000
25%	\$ 271,500

- The figures above are based upon the given percentage of the population and taxing jurisdictions adopting a local tax freeze ordinance and enacting a \$0.01 tax increase in the same year.
- The weighted average of the two median incomes (age 65 to 74 and 74 and over) will vary for each county.
- The weighted median incomes are based on state-wide population averages of 54.4% for age 65 to 74 and 45.6% for age 75 or over. .

## **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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